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HOW MIDDLE-INCOME FAMILIES PAY FOR COLLEGE

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July 1985

Funding for this project provided by the Teagle Foundation

FOREWORD

Every year, those involved in setting public policy for student aid try to reach agreement on the amount of public funds that should be put into financial assistance programs, the number of students these programs should serve, and the eligibility requirements for each program. What is often lost in these discussion are realistic looks at the ways in which American families are meeting the costs of college.

This report, and its companion report on low-income families, provides information on the ways families are paying for college. Based on recent data from a national survey of student aid recipients, these reports present an up-to-date look at the role played by family resources, grants, loans, and work in meeting college expenses. Portraits are included of individual families and the ways in which they blend their own and public resources into a financing package for their dependent students. The report's findings underscore the fact that families of aid recipients continue to pay the majority of college costs, whether through savings, work, or later repayment of loans.

In preparing these reports, the authors relied on the comments of members of the Student Aid Committee of the Association Council for Policy Analysis and Research (ACPAR). Special acknowledgement should go to the staff of the National Institute of Independent Colleges and Universities for their assistance in compiling the data on students attending independent colleges. Special thanks also to Charles B. Saunders and Patricia Smith of ACE's Division of Governmental Relations for their advice and counsel.

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Elaine El-Khawas
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Chapter I

Introduction: How Middle-Income Families Pay for College

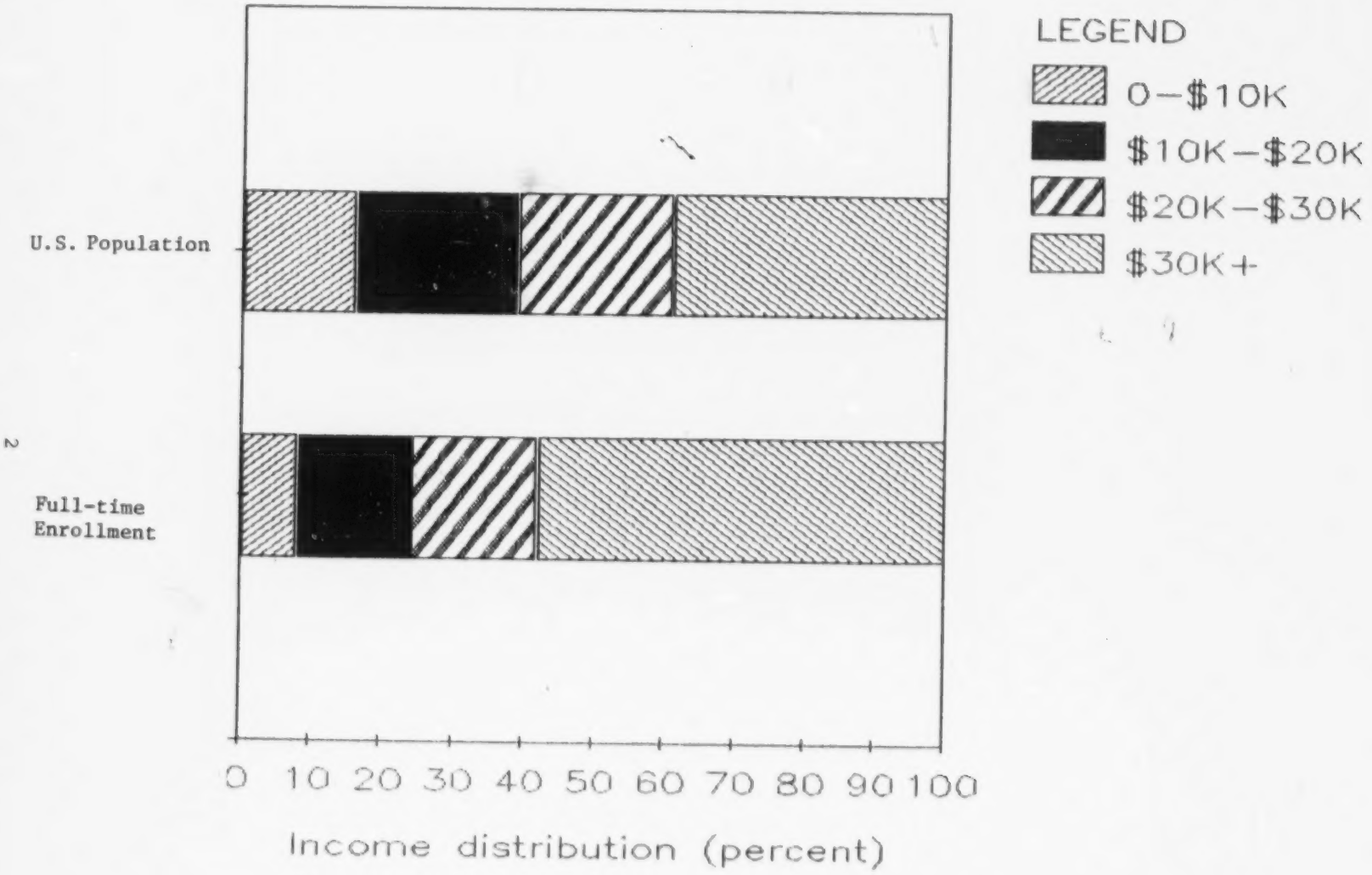
Paying for college is a challenge facing many American families. As part of this challenge, families must attempt to marshal the resources needed in order to meet the costs of tuition and fees, room and board, books and transportation. As will be seen in this report, middle-income families need to maximize their own resources and obtain outside assistance in order to meet the challenge of paying for college.

For purposes of this report, middle-income families are defined as those with adjusted gross incomes of between $15,000 and $35,000 per year. This definition is intended only for use in this report; there are many schools of thought on the income groups that comprise "middle-income." Only students who are dependent on their families for financial support and who are attending school full-time are discussed in this report. Much of the data cited in this report is based on a national survey of student aid recipients attending public and independent colleges during the 1983-84 academic year.[1]

As compared to their representation in the U.S. population, middle-income students are fairly well represented among full-time college students. In 1983, for example, 18 percent of full-time students came from families with incomes between $20,000 and $30,000[2]; these families represented 22 percent of the U.S. population[3]. While there is some gap, it is not as dramatic as the difference among low-income students (see Figure 1).[4]

In 1983, the median income for a family of four was approximately $25,000[5] -- squarely at the mid-point of the income groups examined in this report. Middle-income families are, indeed, average Americans.

Figure 1. Comparison of the U.S. Population and College Enrollment By Family Income, 1983



Source: U.S. Commerce Department, Bureau of the Census, After-Tax Money Income Estimates of Households: 1983, and Applied Systems Institute, unpublished data, 1985.

For many middle-income families, college is within reach only with some assistance from government or private sources. One way to look at the ability of these families to pay for college is to present college costs as a portion of the familiy's discretionary income -- the income that is left after meeting basic living costs and tax obligations. For 1984-85, a family of four earning $15,000 with a low standard of living is left with only $141 in discretionary income, obviously able to make only a minimal contribution from current income towards college expenses. A family of four earning $25,000 with an intermediate standard of living is left with virtually no discretionary income. At $35,000 a family with an intermediate standard of living may have about $7,500 available for discretionary spending.[6] Of course, college costs are only one of many demands on a family's discretionary income (retirement planning, vacations, and emergency expenses are among other common uses of discretionary income).

For this reason, it is not surprising to learn that in a 1984 survey, "American Attitudes Towards Higher Education," 85 percent of those with incomes between $15,000 and $25,000 believed that they could afford to pay for college only with assistance from low-interest loans or grants. Nearly 70 percent of those with incomes between $25,000 and $40,000 felt the same way.[7] Estimates are that approximately two-thirds of all middle-income full-time students receive some form of need-based student aid.

Congress has recognized that middle-income families need help in paying for college and has taken several steps to enhance their ability to meet college costs, including the enactment of the Middle-Income Student Assistance Act (MISAA) in 1978. In truth, though, Congress has reserved most of its funds for low-income students; in fact, since its passage, many of MISAA's provisions have been revised to reduce the eligibility of middle-income students for aid. While federal student aid remains targeted on low-income students and their families, middle-income students can still qualify for some assistance from the federal government.

Middle-income students are more likely than low-income students to receive loans.

The federal aid that middle-income families receive is primarily in the form of self-help -- loans and work-study. Federal grants to middle-income students are generally modest in size and considerably smaller than those received by low-income students. About half of all middle-income aid recipients receive Pell Grants, but most of those have family incomes below $25,000. The Pell Grants received by middle-income students in 1983-84 averaged under $1,000 each, well below the $1,800 maximum allowable under law.

Borrowing, on the other hand, is significantly greater among middle-income aid recipients than among low-income students. In 1983-84, more than half (55 percent) of middle-income aid recipients secured Guaranteed Student Loans averaging close to the $2,500 maximum loan for undergraduates. In contrast, 40 percent of all low-income aid recipients secured GSLs in 1983-84.

What is the real cost paid by middle-income families?

The costs of college attendance include the out-of-pocket expenses families incur as well as the amount they must borrow and the amount students must earn during the academic year or over vacation periods. In this report, we will use the term "real cost to the family" of college attendance. Simply defined, real cost to the family represents the portion of college costs that is not covered by grant or scholarship assistance. The real cost to the family, then, is the total cost of attendance minus any grants received by the student.

Most middle-income families pay at least two-thirds of the real costs of college.

The reliance of middle-income families on loans is reflected in the high real costs of college they bear. On average, the real cost of college to middle-income families is at least two-thirds of total college expenses.

Some middle-income families pay considerably more, however. For example, about one in eight middle-income aid recipients rely on Guaranteed Student Loans as their only source of

financial aid; they receive no grant support at all. Thus, when both current payments and future loan obligations are taken into account, these families are footing 100 percent of their college bills.

While about half of the families of middle-income aid recipients are not needy enough to qualify for grant assistance, they may encounter great difficulty in assembling the resources necessary to pay all of the costs of a year's college education. The GSL program provides cash for the family to help meet college expenses while enabling the family to avoid serious financial hardship. Families secure these loans with the hope that the rewards of their children's education will enable them to repay the loan once they leave school. These loans help provide choice for the family, bringing within reach a college education at a higher cost public school or at an independent college.

How middle-income families pay for college.

The ways in which middle-income families can expect to pay for college depend largely on the type of school that the student attends. Because the family contribution is calculated according to a standard formula, the amount of the calculated contribution for an individual family will not change from school to school. What will vary, however, is the mix between grants, loans, and work as well as the gap between available resources and the full cost of attendance.

These six examples of common aid packages at different schools are illustrative of the financing patterns of middle-income families. Each of these cases is based on actual aid packages received by students at these types of instituions. Examples are presented for families whose incomes are between $15,000 and $25,000 per year and for those whose incomes are between $25,000 and $35,000 per year. Note the differences in the levels of grant support and the amount of family contributions between these groups of families.

1) Leslie attends a high-cost independent college. Her family earns $18,500 per year. Tuition at this school is more than $7,000 per year; the total cost (including books, room and board, and other expenses) is $11,765. The college is located out of state, so she is not eligible for state grant support. Leslie's financial aid package looks like this:

Resource	Amount	Percentage of Costs
Family Contribution	$1,416	12%
Pell Grant	$ 916	8%
Supplemental Grant	$1,435	12%
College Work-Study	$1,109	9%
Guaranteed Loan	$2,320	20%
Subtotal	$7,196	61%
Assistance from college or other sources	$4,569	39%

Grants comprise about 20 percent of Leslie's aid package, so Leslie's family can expect to pay about 80 percent of the costs of college attendance. At this point, 39 percent of Leslie's costs (over $4,500) are unmet, leaving it up to the school to help her meet the full cost of college by providing her with a college-sponsored scholarship. Without help from her college, Leslie's family will either have to borrow more or increase its level of contribution in some other fashion.

2) Jan attends a moderately priced independent college outside her home state. Her family income is approximately $20,000 per year. Tuition at this school is $4,500. Jan's total cost of attendance (including books, room and board, and personal expenses) is $8,400. Her financial aid package looks like this:

Resource	Amount	Percentage of Costs
Family Contribution	$1,456	17%
Pell Grant	$ 953	11%
Direct Student Loan	$ 600	7%
College Work-Study	$ 975	12%
Guaranteed Loan	$2,265	27%
Subtotal	$6,249	74%
Assistance from other sources	$2,151	26%

Grants comprise about 11 percent of Jan's aid package, meaning that her family will be paying nearly 90 percent of her total college costs. Although Jan received less total aid than Leslie, her aid package covers a larger portion of her costs (74 percent) because her school's tuition is so much lower. Still, she is left with a gap of over $2,000 to fill. She may be able to receive a college-sponsored grant to make up the difference, but small independent colleges, like the one Jan is attending, do not provide as many scholarships as larger schools. Her other option may be to earn this money during the academic year; in order earn the $2,000, Jan would have to work 20 hours per week at minimum wage during the school year in addition to her CWS obligation.

3) Richard attends a state university in his home state. His family earns approximately $19,000 per year. Tuition at the school he is attending is $1,500, and his total costs (including books, room and board, and personal expenses) are $5,125. Richard's financial aid package looks like this:

Resource	Amount	Percentage of Costs
Family Contribution	$1,600	31%
Pell Grant	$ 908	16%
Direct Student Loan	$ 740	14%
College Work-Study	$ 922	18%
State Grant	$ 580	11%
Subtotal	$4,750	92%
Assistance from other sources	$ 375	7%

Because Richard is attending an in-state school, making him eligible for state grant aid, the grant portion of his aid package totals 27 percent. The real cost to his family, then, is almost three-fourths of the total costs of college attendance. Note that because tuition at the school Richard attends is relatively modest, his family's contribution meets nearly one-third of his costs. Richard's aid package covers 92 percent of his college costs, leaving about $375 unmet. Richard could make up that sum through part-time earnings, in addition to his CWS obligation, either during the school year or over the summer, or by borrowing through the GSL program.

4) Jeremy attends a high-cost independent college. His family earns $27,000 per year. Tuition at this school is over $7,000 per year; the total cost (including books, room and board, and other expenses) is $11,765. The college is located out of state, so he is not eligible for state grant support. His financial aid package looks like this:

Resource	Amount	Percentage of Costs
Family Contribution	$2,678	23%
Supplemental Grant	$1,531	13%
College Work-Study	$1,115	10%
Guaranteed Loan	$2,250	19%
Subtotal	$7,574	64%
Assistance from college or other sources	$4,191	36%

Grants comprise only 13 percent of Jeremy's aid package, so Jeremy's family can expect to pay about 87 percent of the costs of college attendance. At this point, 36 percent of Jeremy's costs are unmet, leaving it up to the school to help him meet the full cost of college by providing him with a college-sponsored scholarship. Without help from his college, Jeremy's family will either have to borrow more or increase its contribution in some other fashion.

5) Dianne attends a moderately priced independent college outside her home state. Her family income is approximately $31,000 per year. Tuition at this school is $4,500. Dianne's total cost of attendance (including books, room and board, and personal expenses) is $8,400. Her financial aid package looks like this:

Resource	Amount	Percentage of Costs
Family Contribution	$3,272	37%
Supplemental Grant	$ 415	5%
Direct Student Loan	$ 963	11%
College Work-Study	$ 770	9%
Guaranteed Loan	$2,350	27%
Subtotal	$7,770	93%
Assistance from other sources	$ 630	7%

Grants comprise only 5 percent of Dianne's aid package, meaning that her family will be paying at least 95 percent of her total college costs. Her family contribution alone covers 37 percent of her college costs. Although her aid package covers a very high percentage of her total budget, Dianne is receiving the bulk of her support in the form of self-help -- she is borrowing from two federal loan programs and must work during the school year to meet her work-study commitment. The small amount of remaining need could be met either through parental borrowing or through an increase in her parents' contribution.

6) Jeffrey attends a state university in his home state. His family earns approximately $26,000 per year. Tuition at the school he is attending is $1,600, and his total costs (including books, room and board, and personal expenses) are $5,200. Jeffrey's financial aid package looks like this:

Resource	Amount	Percentage of Costs
Family Contribution	$2,250	43%
Direct Student Loan	$ 838	16%
College Work-Study	$ 954	18%
State Grant	$ 625	11%
Subtotal	$4,667	90%
Assistance from other sources	$ 533	10%

The only grant support that Jeffrey receives comes from his state's student aid program. His family can expect to pay nearly 90 percent of the real costs of his college education; family contribution, alone, covers more than 40 percent of his costs. The modest amount of remaining need ($533) could be made up by borrowing through the GSL program, by Jeffrey's term-time or summer earnings above the amount of his CWS award, or by an increase in his parents' contribution.

Chapter II

As Income Rises, Middle-Income Students are Less Likely to Receive Most Forms of Aid

Students with family incomes between $15,000 and $25,000 are generally more likely to receive need-based student aid than the other portion of our middle-income cohort -- those with family incomes between $25,000 and $35,000. For example, two in three middle-income aid recipients whose family incomes are below $25,000 receive a Pell Grant, as compared to only one in three of those whose family incomes fall between $25,000 and $35,000. Families whose incomes are between $25,000 and $35,000, though, are more likely to receive loans (see Figures 2 and 3).

Middle-income students who qualify for Pell receive grants that average well below the maximum award.

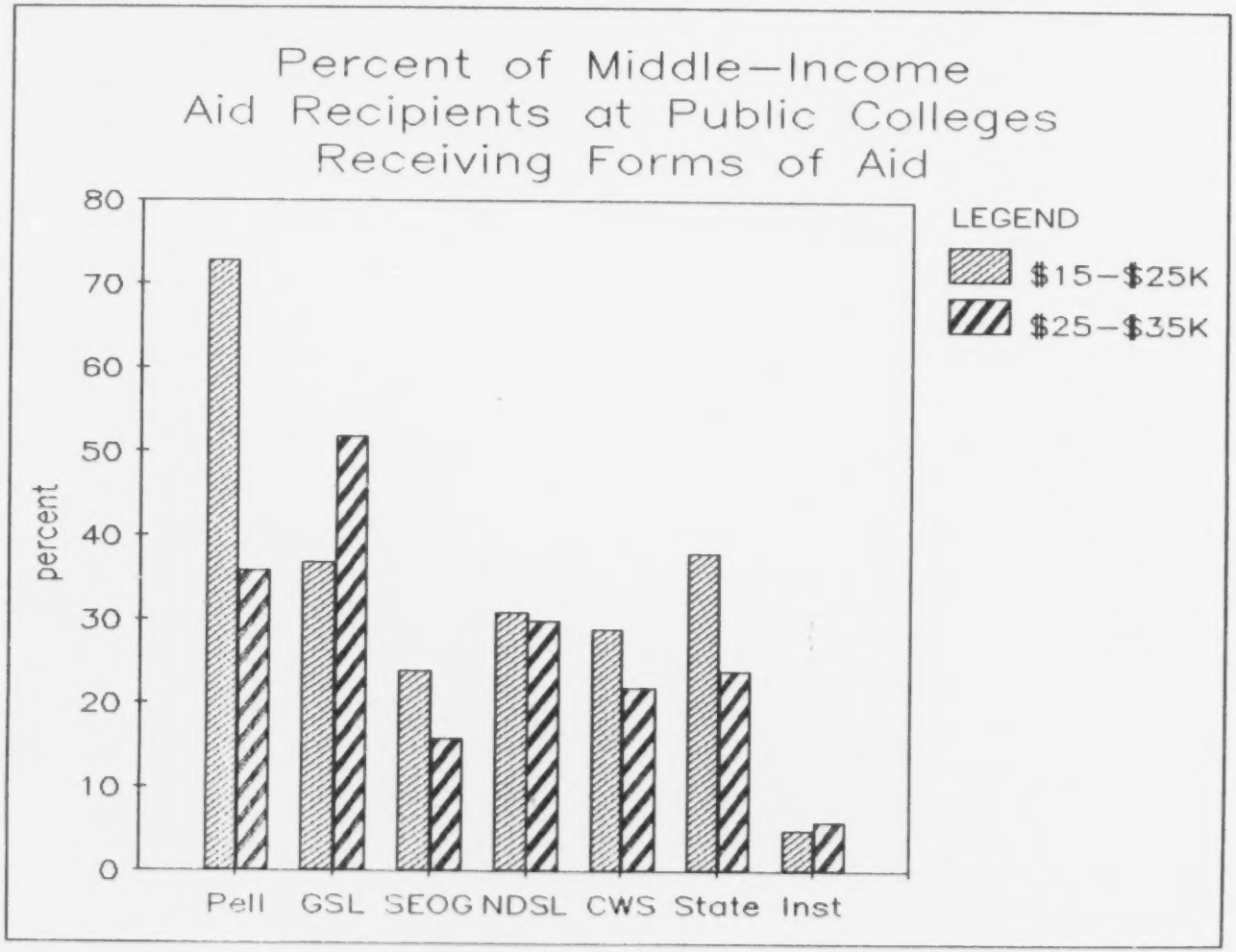
Middle-income students receive Pell Grants averaging between $623 and $947, far below the maximum allowable under law (which was $1,800 for the 1983-84 academic year). This is not surprising, because the size of each Pell Grant is tied to the amount that the student's parents can contribute towards college. As income rises, the parental contribution also generally increases, thus reducing the size of awards.

More than half of all middle-income aid recipients receive assistance from the federal campus-based aid programs.

More than half (54 percent) of all middle-income aid recipients receive assistance from at least one of the federal campus-based financial aid programs -- Supplemental Educational Opportunity Grants (SEOG), National Direct Student Loans (NDSL), or College Work-Study (CWS).

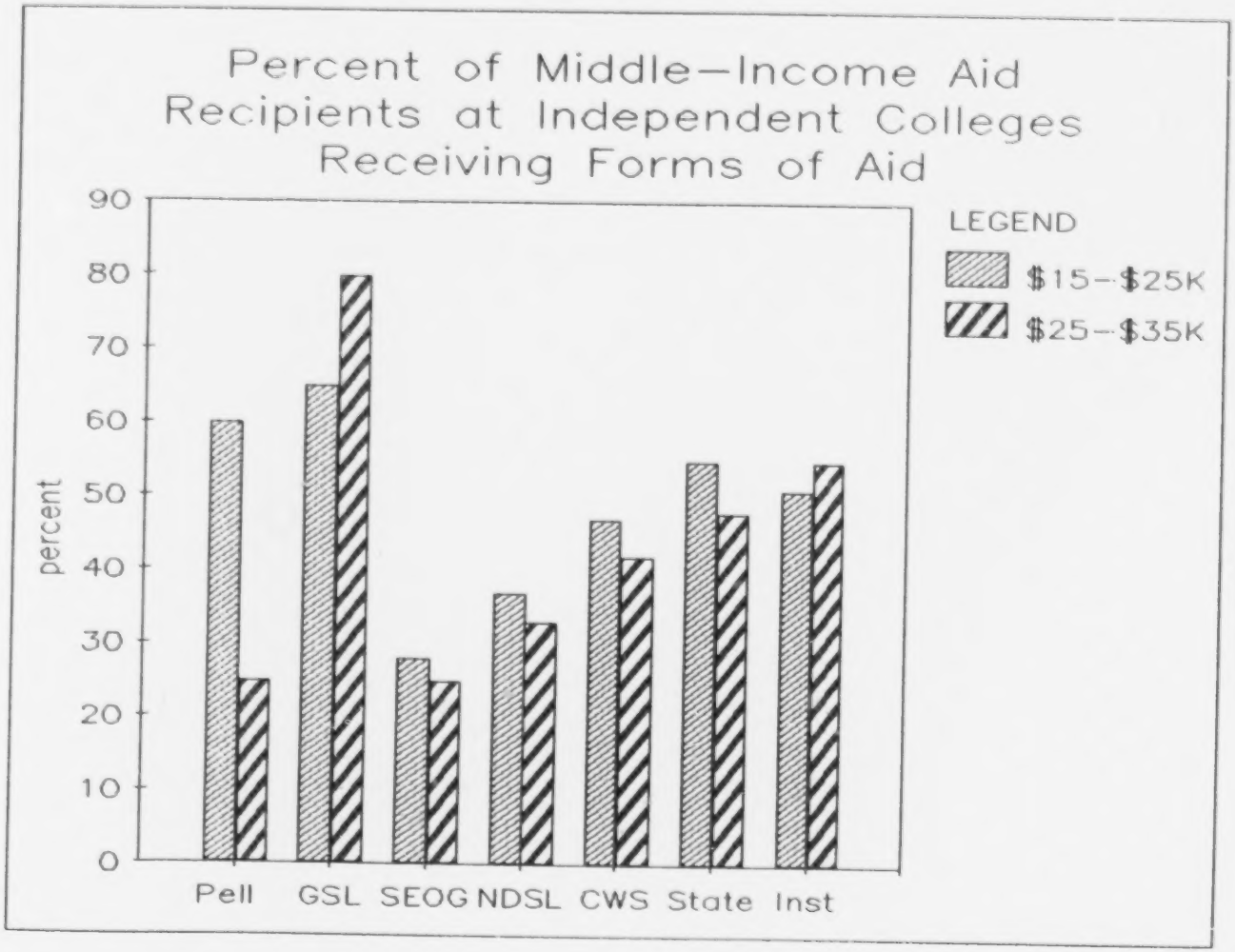
These programs are called "campus-based" because the campus financial aid administrator determines how much of each type of aid the student will receive. Students cannot receive more

Figure 2.



Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

Figure 3.



Source: 1983-84 NIICU Student Aid Recipient Survey

aid than they need; specifically, the aid may not exceed the difference between the cost of attendance and the amount the family can contribute. Students' access to campus-based funds varies from campus to campus, because not all schools participate in all of these programs, and because the amount that campuses have to distribute varies widely.

About one-third of middle-income aid recipients receive low-cost loans through the NDSL program. Participation rates for students at public and independent colleges are almost even for this program; 35 percent at independent schools compared with 31 percent at public colleges. However, students at independent colleges receive NDSLs averaging around $1,000, $200 more than the average NDSL received by middle-income public college students. Average NDSLs can help meet almost one-fifth of the cost at a public college or about one-eighth of the cost at an independent school.

Relatively small proportions of middle-income students at both public and independent schools receive SEOG awards; campus aid administrators apparently are awarding the bulk of their SEOG funds to needier, low-income students.

Only one-fourth of the middle-income aid recipients at independent colleges receive SEOG, as do only one-fifth of those at public colleges. SEOG awards at independent colleges average just under $800; SEOGs at public colleges average about $575. In both sectors, middle-income students with family incomes under $25,000 are more likely to be awarded SEOG. Average SEOG awards can reduce the real cost of college to the family by approximately 10 percent.

Nearly half of the middle-income aid recipients at independent colleges receive College Work-Study awards.

Among middle-income students at independent colleges, College Work-Study is the most widely used of the federal campus-based aid programs. Almost half (45 percent) of these students earn, on average, a little more than $1,000 under the CWS program. Only one-fourth of the middle-income aid recipients at public colleges receive aid from the CWS program, and their awards also average about $1,000 -- more than one-fifth of their average costs. The proportion of students who participate in the CWS program depends on the amount of CWS funds available at each institution.

Students who are awarded College Work-Study generally work on-campus or for an off-campus nonprofit agency (e.g., hospitals, community service organizations, government offices) and, typically, earn minimum wage. In order to earn a $1,000 work-study award, a student would have to work approximately 10 hours per week at minimum wage over a 30-week academic year.

Four out of ten middle-income aid recipients receive state grant aid.

In 1983-84, four out of ten middle-income aid recipients received grant assistance from state governments. Middle-income students at independent colleges were more likely to receive state grants than were students at public colleges.

More than half of the aid recipients at independent colleges qualify for state awards that average nearly $1,500 -- significantly larger than their average Pell Grants. For students at independent colleges, these grants can help reduce the real cost of attendance paid by the family by nearly one-fifth of total expenses. About one-third of middle-income recipients at public colleges are awarded state grants averaging about $550. For public college students who receive them, state grants can cut their real costs by more than 10 percent.

Students whose family incomes are between $15,000 and $25,000 are more likely than those with higher family incomes to receive state awards; most state financial aid programs are targeted on lower-income students who can demonstrate greater need for these awards.

Few middle-income students at public colleges receive need-based college-sponsored aid.

Because public colleges have less scholarship funds and because their tuition costs are already subsidized by state governments, they offer a very limited number of college-funded grants to needy students. Only 5 percent of the middle-income aid recipients at public colleges receive need-based college-sponsored grants. Interestingly, those students awarded college-sponsored grants who have family incomes greater than $25,000 receive higher average awards than those with family incomes between $15,000 and $25,000 ($880 versus $600).

At independent colleges, an average college-sponsored grant can reduce real cost by up to one-fourth.

At independent colleges, the story is very different. Over half the middle-income aid recipients at these schools receive assistance from their colleges. These awards are generally much larger than those awarded to public college students. For students at independent colleges, college-sponsored grants average $2,000 or more.

College-sponsored grants have a substantial impact on the real costs paid by the families of students attending independent colleges. Between one-fifth and one-quarter of the real cost of an independent college education can be met with an average-sized college-sponsored grant.

Chapter III

More Than Half of All Middle-Income Aid Recipients Secure Guaranteed Student Loans

More than half (56 percent) of all middle-income aid recipients secure low-interest loans through the Guaranteed Student Loan program, borrowing an average of more than $2,000 annually. Because they receive only limited amounts of grant assistance, middle-income families are more likely than low-income families to turn to the Guaranteed Student Loan program for help in paying for college.

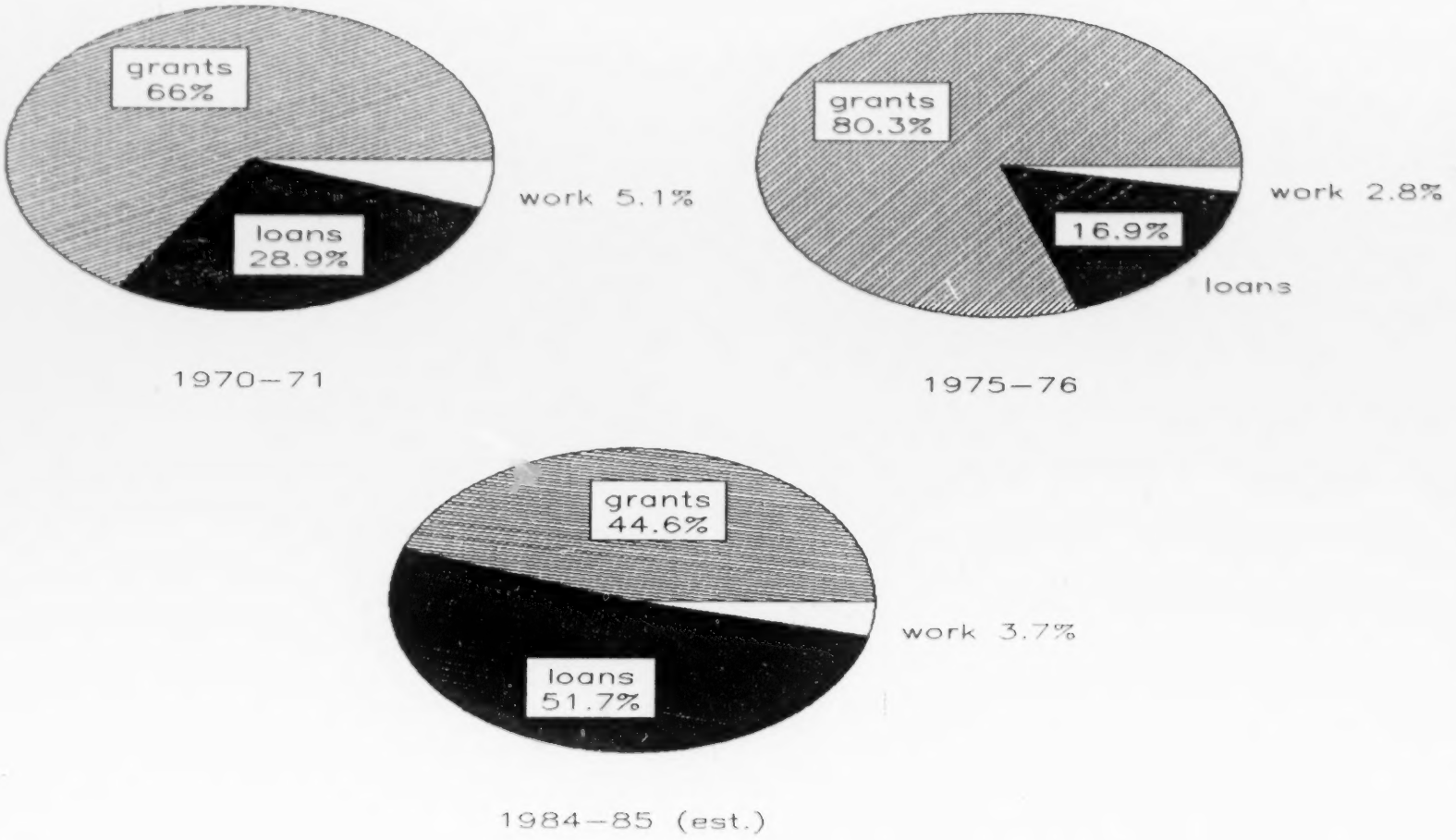
This wide use of Guaranteed Student Loans among middle-income students mirrors a national trend towards increased borrowing among students of all income levels. As Figure 4 illustrates, loans have become the most widely used form of student assistance, surpassing grants, which had previously held that distinction.

Almost three-fourths of middle-income aid recipients at independent colleges use Guaranteed Student Loans and borrow near the maximum allowable.

In 1983-84, almost three-fourths of the middle-income aid recipients at independent colleges borrowed under the Guaranteed Student Loan program. The average loan for these students exceeded $2,300, just shy of the $2,500 maximum for undergraduates. Among aid recipients attending independent colleges with family incomes between $25,000 and $35,000, the rate of GSL borrowing was even higher -- over four-fifths of these students secured GSLs.

At public colleges, less than half (43 percent) of the middle-income aid recipients secure Guaranteed Student Loans. Again, those whose family incomes exceed $25,000 are more likely to borrow than those with family incomes between $15,000 and $25,000 -- 52 percent and 37 percent, respectively. On average, public college students borrow slightly less than their

Figure 4. Proportions of Aid Provided Through Grants, Loans, and Work
1970-1985



Source: The College Board, Trends in Student Aid: 1963 to 1983 and Trends in Student Aid: 1980 to 1984.

counterparts at independent colleges, borrowing about $2,100 per loan.

More than one-third of middle-income students at public colleges who receive GSLs do not receive any other form of need-based aid; their real cost totals 100 percent of college expenses.

More than one-third of the middle-income students at public colleges who received GSLs did not qualify for any other forms of need-based aid, but they were able to meet the less stringent need criteria that determine eligibility for GSL. This group -- receiving Guaranteed Student Loans as their only form of assistance -- comprise about 15 percent of all aid recipients at public colleges.

Because access to need-based aid decreases as income rises, an even greater proportion of GSL recipients at public colleges with family incomes in excess of $25,000 (46 percent) secured no other aid than their GSL. In contrast, only 12 percent of all GSL recipients at independent colleges received no other form of need-based aid.

Chapter IV

The Aid Packages Received By Middle-Income Students Do Not Meet All of the Costs of College

About eight in ten middle-income aid recipients receive assistance from two or more forms of aid -- an aid package. Nearly nine in ten middle-income aid recipients attending independent colleges receive more than one type of aid, whereas public college aid recipients with family incomes of $25,000 to $35,000 are least likely to do so -- only four in ten receive aid packages.

Students who receive aid packages are primarily those who receive Pell Grants.

In general, about eight out of ten students who receive aid packages are those who receive Pell Grants. For most middle-income aid recipients, then, Pell Grants form a critical base of support. The exceptions to this pattern are aid recipients at independent colleges whose parental incomes are between $25,000 and $35,000; 63 percent of aid recipients at independent colleges with family incomes of $25,000 to $35,000 receive combinations of federal, state, and college-sponsored aid that do not include Pell. Guaranteed Student Loans and National Direct Student Loans figure prominently in these students' aid packages.

The most common aid packages begin with Pell Grants and federal campus-based aid.

In general, about one-third of all middle-income aid recipients receive Pell Grants in combination with at least one form of federal campus-based aid; more than two-fifths of recipients with family incomes of $15,000 to $25,000 receive this combination of aid. These students may receive other forms of aid, but Pell and campus-based aid form the core of their aid packages.

State grants round out the most common aid packages.

About 15 percent of middle-income aid recipients receive a state grant in combination with Pell Grants and campus-based aid; greater proportions of families with incomes of $15,000 to $25,000 than those with higher incomes receive this kind of package.

PUBLIC COLLEGE STUDENTS

Package #1: Average Cost of Attendance = $4,604[a]
(Aid includes: Pell, Federal Campus-Based, and State Grant)

Family Income = $15,000 - $24,999

Resource	Average Amount	Proportion of Costs
Family contribution	$ 988	21%
Pell Grant	$ 933	20%
Federal campus-based aid	$1,218	26%
State grant	$ 562	12%
Total	$3,701	80%

Package #1: Average Cost of Attendance = $4,617[a]
(Aid includes: Pell, Federal Campus-Based, and State Grant)

Family Income = $25,000 - $35,000

Resource	Average Amount	Proportion of Costs
Family contribution	$1,340	29%
Pell Grant	$ 641	14%
Federal campus-based aid	$1,218	26%
State grant	$ 503	11%
Total	$5,235	80%

[a]Cost of attendance includes tuition, fees, books, room and board, and other expenses allowed by the institution. Costs cited are averages for students receiving this aid package.
Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

STUDENTS AT INDEPENDENT COLLEGES

Package #1: Average Cost of Attendance = $8,177[a]
(Aid includes: Pell, Federal Campus-Based, and State Grant)

Family Income = $15,000 - $24,999

Resource	Average Amount	Proportion of Costs
Family contribution	$1,519	18%
Pell Grant	$ 918	11%
Federal campus-based aid	$1,444	18%
State grant	$1,513	18%
Total	$5,394	65%

Package #1: Average Cost of Attendance = $8,251[a]
(Aid includes: Pell, Federal Campus-Based, and State Grant)

Family Income = $25,000 - $35,000

Resource	Average Amount	Proportion of Costs
Family contribution	$1,700	20%
Pell Grant	$ 613	7%
Federal campus-based aid	$1,282	15%
State grant	$1,477	18%
Total	$5,072	60%

[a]Cost of attendance includes tuition, fees, books, room and board, and other expenses allowed by the institution. Costs cited are averages for students receiving this aid package.
Source: 1983-84 NIICU Student Aid Recipient Survey

Middle-income students who receive aid packages still pay a very high proportion -- at least two-thirds -- of the real costs of college.

Despite receiving several forms of aid combined with their family's full expected contribution, middle-income aid recipients receiving this aid package nevertheless fall short of meeting college costs by as much as 40 percent. They have not secured a Guaranteed Student Loan and must somehow rely on their own or family resources to help fill the gap.

Most middle-income families who receive aid packages consisting of a Pell Grant, state aid, and campus-based aid are paying at least two-thirds of the cost of college, as Figure 5 shows. Families with incomes of between $25,000 and $35,000 bear the highest real cost; they pay about three-quarters of college expenses, or an average of $3,450 at public colleges and $6,200 at independent colleges (see Figure 5).

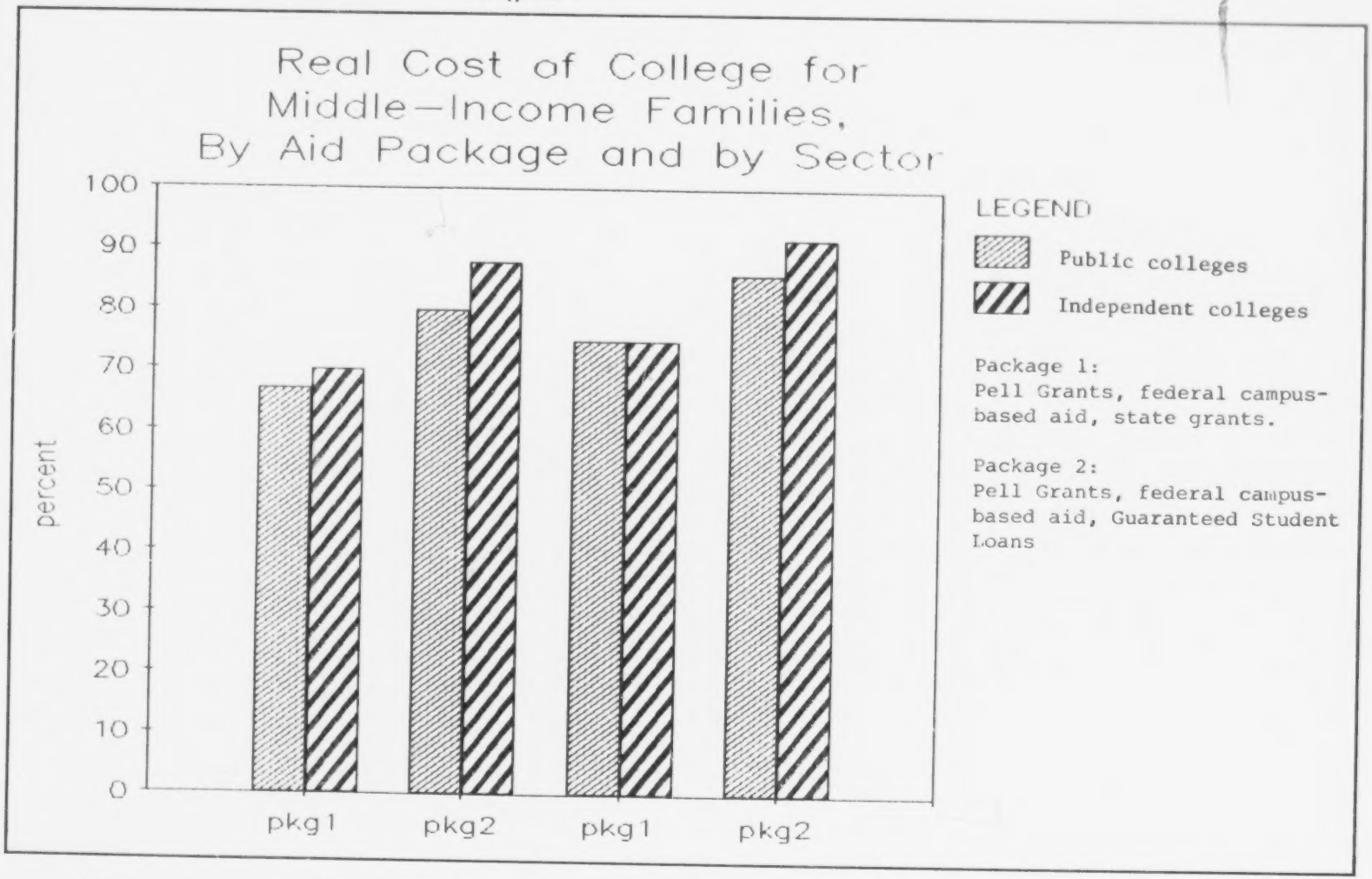
The next most common aid package -- GSLs, Pell Grants and campus-based aid -- raises the real cost to the family.

A slightly smaller proportion of middle-income students receive an aid package that includes a Pell Grant, campus-based aid, and a Guaranteed Student Loan instead of a state grant. About 17 percent of middle-income aid recipients attending independent colleges receive this mix of aid, compared with 9 percent of aid recipients at public colleges.

Aid covers a greater proportion of college costs for these students because GSLs are generally larger than the state grants students receive (see appendix B).

Although these aid packages cover a greater proportion of college costs, the real cost to the family is higher because the loan must be repaid. When a GSL is substituted for a state grant, the real cost for students attending independent colleges totals nearly 90 percent of total college expenses. The real cost for public college students who receive GSLs instead of state grants is at least 80 percent of their college expenses; the families of public college students whose incomes are between $25,000 and $35,000 pay nearly 90 percent of college costs.

Figure 5.



Source: 1983-84 NIICU Student Aid Recipient Survey

1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

For middle-income students at independent colleges who do not qualify for Pell Grants, college-sponsored aid provides the foundation for the aid package.

As previously noted, almost two out of three aid recipients at independent colleges whose family incomes are between $25,000 and $35,000 receive aid packages that do not include Pell Grants.

College-sponsored aid is a crucial part of the aid packages for these students; nearly all of these students receive a grant from their college. The amount of college-sponsored aid awarded to students at independent colleges ranges from $920 to more than $3,000 -- significantly reducing their real cost.

Campuses may be attempting to compensate for the absence of a Pell Grant by awarding college-sponsored aid to students who fail to qualify for federal grant aid. A $3,000 college-sponsored grant, for example, can reduce a family's real college costs by one-third.

Chapter V

Middle-Income Families Must Use All Available Options To Help Them Meet College Costs

College costs are rising faster than family income and consuming a greater portion of it.[3] Students from middle-income families often find themselves in a bind; they may qualify for only limited federal or state aid, which is targeted to needier students, but they lack the resources to finance their education independently. So, as we have seen, middle-income families are relying on borrowing to meet college costs.

One can easily anticipate that middle-income families will continue to face challenges in meeting the costs of college. College costs are likely to continue to climb, and it is unlikely that the federal government will expand its efforts to serve middle- and high-income families.

Student financial aid is very important for middle-income families.

The availability of outside financial help for college bills is increasingly important to middle-income students and their families. According to the 1983 annual ACE/UCLA survey of college freshmen, between a quarter and a third of students from families earning between $15,000 and $35,000 reported they would have had to forgo college if they had received no financial aid; others might be forced to attend school part-time. The role of aid in ensuring choice also appears significant; an overwhelming majority of middle-income students at independent institutions predicted they would have stayed in school but attended less expensive colleges had they received no financial aid.[9] Even with some assistance, though, middle-income families pay a very high portion of the costs of college.

Colleges are taking steps to help parents meet college costs.

Colleges across the nation are acutely aware of the financing problems facing middle-income families. A number of schools have been examining this question and have adopted measures to assist these families in paying for college. A 1984 ACE survey found that one in three colleges offers its own loan program to parents and/or students as a supplement to federal loan assistance. These are primarily independent colleges and universities. Additionally, 44 percent of the colleges surveyed provide extended payment plans that allow parents to pay tuition bills in regular installments spread over the academic year or even beyond graduation. In this way, colleges are helping middle-income families overcome the pressure of having to pay the full tuition bill at the start of the semester.[10]

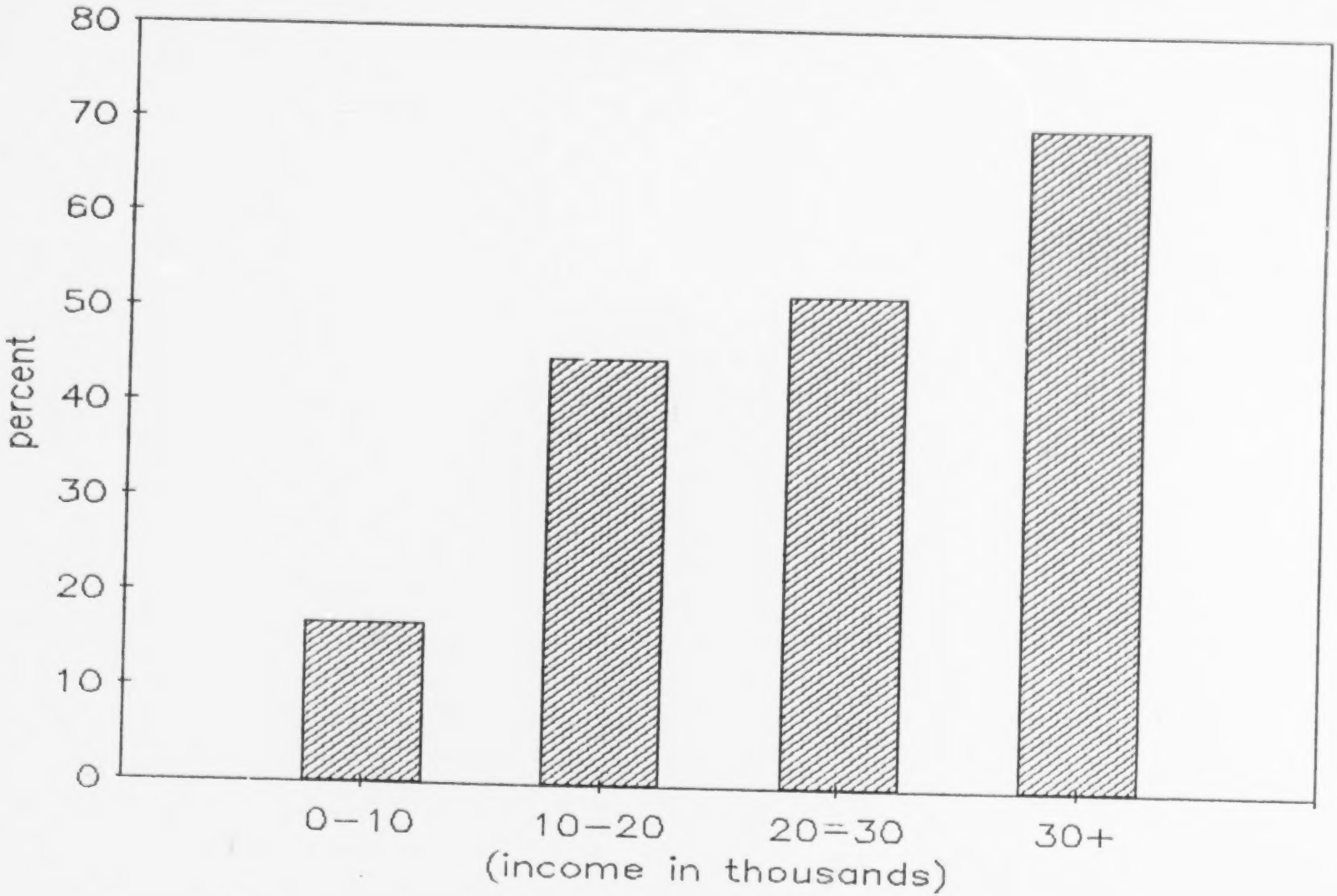
Families are not saving enough to help meet college costs.

A recent survey sponsored by the National Institute of Independent Colleges and Universities and the Teagle Foundation revealed that middle-income parents are not saving enough to enable them to meet the costs of college. According to the survey, only half (52 percent) of those families with incomes between $20,000 and $30,000 are curently saving for their children's education (see Figure 6). Although these parents expect to save $10,000 by the time their children start college, they are only saving an average of $466 per year -- far below the rate at which they would need to save to meet their goal (see Figure 7).[11]

Additional evidence that parents are not saving enough appears in reports from the National Center for Education Statistics' High School and Beyond Survey. This 1980 survey of high school seniors and their parents showed that slightly more than two-fifths of the families of college students had saved for college costs, and the median amount saved was $2,500. Almost a quarter of the middle-income parents who did save for college waited until their children were enrolled in high school to begin saving. Parents who saved were more likely to be able to pay for college; more likely to want their children to attend independent, four-year, and out-of-state institutions; and more likely to be familiar with federal student aid programs.[12]

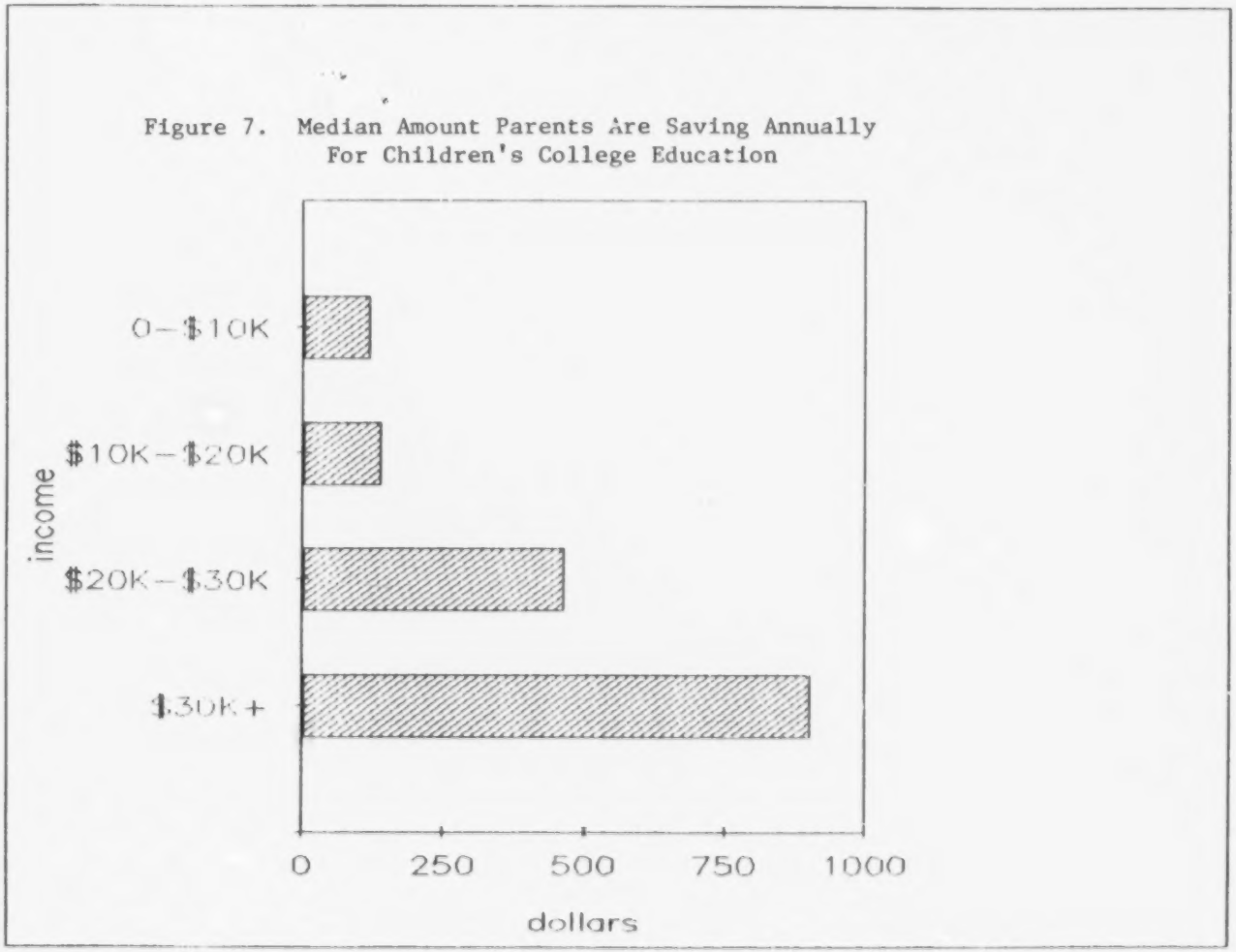
Middle-income families must begin planning and saving well in advance of their children's entry into college if they are to acquire the necessary resources for college. Given the limited amount of grant aid available for middle-income students, it seems likely that, once they have exhausted their own

Figure 6. **Percent of Parents Who Save for Children's College Education, By Income**



Source: National Institute of Independent Colleges and Universities, A National Study on Parental Savings for Children's Higher Education Expenses, 1984.

Figure 7. Median Amount Parents Are Saving Annually For Children's College Education



Source: National Institute of Independent Colleges and Universities, A National Study on Parental Savings for Children's Higher Education Expenses, 1984

resources, students and families will be faced with borrowing more through federal and nonfederal sources to meet college expenses.

Chapter VI

Conclusion: Middle-Income Families Rely Primarily on Their Own Resources To Pay for College

Middle-income families are generally relying on their own resources to pay for college. While many middle-income students receive federal, state, or college-sponsored financial assistance, most of the aid dollars they receive are in the form of loans and work-study; these students receive only limited amounts of grant support.

Among the key findings of this report are:

- Middle-income families can expect to pay two-thirds or more of the real costs of college.
- A student's probability of receiving financial aid, especially grant support, falls off sharply once family income exceeds $25,000.
- Students attending independent colleges are more likely to receive financial aid than those attending public colleges.
- Guaranteed Student Loans are secured by more than half of all middle-income aid recipients; by three-quarters of those at independent colleges and by one-half of those at public colleges.
- One in three GSL recipients at public colleges and one in eight at independent colleges receive no other aid -- their families pay 100 percent of the real costs of college.
- States provide significant amounts of grant aid to middle-income students; half of the middle-income aid recipients at independent colleges and one-third of those attending public colleges receive state grant assistance.
- About eight out of ten of those middle-income students who receive aid packages (two or more sources of aid) are Pell Grant recipients.

- Middle-income families are, in general, not saving enough to meet college costs; a significant number of colleges are trying to help these families by instituting innovative payment plans.

In general, middle-income familes must use all of the means at their disposal in order to pay for college. They cannot count on receiving large amounts of grant and scholarship aid and, thus, must instead plan for the future so that the financial burden on the family is kept to a minimum. Only with proper foresight, limited assistance from government programs, and the help of the colleges their children attend can middle-income families hope to marshal the resources they need to pay for college.

ENDNOTES

1. The 1983-84 Student Aid Recipient Survey was conducted jointly by the National Institute of Independent Colleges and Universities and by the National Association of State Universities and Land-Grant Colleges, the American Association of State Colleges and Universities and the American Association of Community and Junior Colleges. The American Council on Education coordinated the project and is grateful to all of the associations involved.

2. Applied Systems Institute, Inc., unpublished data, 1985.

3. U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population: General Population Characteristics, 1983.

4. Income groups in figures have been rounded; actual numbers are $0 - $9,999, $10,000 - $19,999, $20,000 - $29,999.

5. U.S. Department of Commerce, Bureau of the Census, Money Income of Households, Families and Persons in the United States: 1983.

6. Discretionary income was calculated by starting with a family's adjusted gross income; and subtracting federal taxes, Social Security taxes, state taxes, and the Bureau of Labor Statistics' consumption figures for lower and intermediate living standards for families of four.

7. Group Attitudes Corporation, American Attitudes Towards Higher Education, 1983, (New York: 1983) 5.

8. Donald A. Gillespie and Nancy Carlson, Trends in Student Aid: 1963 to 1983 (New York: The College Board, 1984), 12.

9. American Council on Education and the University of California at Los Angeles, The American Freshman: National Norms for Fall 1983.

10. Elaine El-Khawas, Campus Trends, 1984. (Washington, DC: American Council on Education, Higher Education Panel 1985).

11. National Institute of Independent Colleges and Universities, A National Study of Parental Savings for Children's Higher Education Expenses, 1984.

12. U.S. Department of Education, National Center for Education Statistics, Longitudinal Studies Branch, High School and Beyond Survey, 1983.

APPENDIX

Appendix A

Proportion of Aid Recipients Receiving Financial Aid, By Source and Type of School[a]

Public Colleges (n = 523,149)[b]

Income	Source of Aid	Recipients	% of Recipients in Each Income Group
$15 - $25K	Pell	222,756	73%
$25 - $35K	Pell	79,361	36%
$15 - $25K	GSL	112,708	37%
$25 - $35K	GSL	114,467	52%
$15 - $25K	State	114,646	38%
$25 - $35K	State	52,752	24%
$15 - $25K	Inst.	13,742	5%
$25 - $35K	Inst.	13,076	6%
$15 - $25K	CWS	87,261	28%
$25 - $35K	CWS	48,242	22%
$15 - $25K	NDSL	94,407	31%
$25 - $35K	NDSL	65,637	30%
$15 - $25K	SEOG	71,655	24%
$25 - $35K	SEOG	37,743	16%

Independent Colleges (n = 387,351)[c]

Income	Source of Aid	Recipients	% of Aid Recipients in Each Income Group
$15 - $25K	Pell	115,341	60%
$25 - $35K	Pell	49,013	25%
$15 - $25K	GSL	156,092	65%
$25 - $35K	GSL	282,645	80%
$15 - $25K	State	105,927	55%
$25 - $35K	State	93,498	48%
$15 - $25K	Inst.	98,339	51%
$25 - $35K	Inst.	107,406	55%
$15 - $25K	CWS	91,806	47%
$25 - $35K	CWS	81,660	42%
$15 - $25K	NDSL	71,907	37%
$25 - $35K	NDSL	63,641	33%
$15 - $25K	SEOG	53,674	28%
$25 - $35K	SEOG	49,001	25%

[a]Aid recipients are full-time, dependent undergraduates who receive aid for a full year.

[b]Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

[c]Source: 1983-84 NIICU Student Aid Recipient Survey

Appendix B

COMMON AID PACKAGES FOR MIDDLE-INCOME STUDENTS

PUBLIC COLLEGE STUDENTS

Package #2: Average Cost of Attendance = $5,272[a]
(Aid includes: Pell, Federal Campus-Based, and GSL)

Family Income = $15,000 - $24,999

Resource	Average Amount	Proportion of Costs
Family contribution	$1,265	24%
Pell Grant	$ 890	17%
Federal campus-based aid	$1,258	24%
GSL	$1,874	36%
Total	$5,287	101%[b]

Package #2: Average Cost of Attendance = $5,125[a]
(Aid includes: Pell, Federal Campus-Based, and GSL)

Family Income = $25,000 - $35,000

Resource	Average Amount	Proportion of Costs
Family contribution	$1,543	30%
Pell Grant	$ 583	11%
Federal campus-based aid	$1,230	24%
GSL	$1,879	37%
Total	$5,235	102%[b]

[a]Cost of attendance includes tuition, fees, books, room and board, and other expenses allowed by the institution. Costs cited are averages for students receiving this aid package.
[b]Sources of aid total more than 100 percent because students may use the GSL to help meet the family contribution.
Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

STUDENTS AT INDEPENDENT COLLEGES

Package #2: Average Cost of Attendance = $8,716[a]
(Aid includes: Pell, Federal Campus-Based, and GSL)

Family Income = $15,000 - $24,999

Resource	Average Amount	Proportion of Costs
Family contribution	$1,456	17%
Pell Grant	$ 953	11%
Federal campus-based aid	$1,573	18%
GSL	$2,262	26%
Total	$6,244	72%

Package #2: Average Cost of Attendance = $9,248[a]
(Aid includes: Pell, Federal Campus-Based, and GSL)

Family Income = $25,000 - $35,000

Resource	Average Amount	Proportion of Costs
Family contribution	$1,876	20%
Pell Grant	$ 634	7%
Federal campus-based aid	$1,689	18%
GSL	$2,259	24%
Total	$6,458	69%

[a]Cost of attendance includes tuition, fees, books, room and board, and other expenses allowed by the institution. Costs cited are averages for students receiving this aid package.
Source: 1983-84 NIICU Student Aid Recipient Survey

Appendix C

Proportion of Aid Recipients Receiving Different Combinations of Aid

Students at Public Colleges

Income	Combination	Recipients	% of Recipients in Each Income Group
$15 - $25K	Pell, state	94,397	31%
$25 - $35K	Pell, state	27,650	13%
$15 - $25K	Pell, GSL	68,645	23%
$25 - $35K	Pell, GSL	31,541	14%
$15 - $25K	Pell, campus[a]	124,690	41%
$25 - $35K	Pell, campus	38,003	17%
$15 - $25K	Any campus	156,707	52%
$25 - $35K	Any campus	92,411	42%
$15 - $25K	Pell, campus, state	54,331	18%
$25 - $35K	Pell, campus, state	15,998	7%
$15 - $25K	Pell, campus, GSL	33,394	11%
$25 - $35K	Pell, campus, GSL	14,468	7%

[a]Refers to federal campus-based aid (SEOG, NDSL, and/or CWS)
Source: 1983-84 NASULGC/AASCU/AACJC Student Aid Recipient Survey

Independent Colleges

Income	Combination	Recipients	% of Recipients in Each Income Group
$15 - $25K	Pell, state	71,571	37%
$25 - $35K	Pell, state	29,029	15%
$15 - $25K	Pell, GSL	66,331	34%
$25 - $35K	Pell, GSL	34,808	18%
$15 - $25K	Pell, campus[a]	79,888	41%
$25 - $35K	Pell, campus	45,008	23%
$15 - $25K	Any campus	128,985	67%
$25 - $35K	Any campus	116,358	60%
$15 - $25K	Pell, campus, state	46,959	24%
$25 - $35K	Pell, campus, state	18,609	10%
$15 - $25K	Pell, campus, GSL	48,370	25%
$25 - $35K	Pell, campus, GSL	19,416	10%

[a]Refers to federal campus-based aid (SEOG, NDSL, and/or CWS)
Source: 1983-84 NIICU Student Aid Recipient Survey

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